

CITY OF uMHLATHUZE



ANNUAL FINANCIAL STATEMENTS for the year ended 30 JUNE 2013

Table of Contents

	Page
Report of the Auditor-General	2
Statement of the Municipal Managers Responsibility	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Statement of Budget Comparison	8
Accounting Policies	9 - 19
Notes to the Annual Financial Statements	20 - 58
Appendix A : Schedule of External Loans	59
Appendix B : Analysis of Property, Plant and Equipment	60-61
Appendix C : Segmental Statement of Financial Performance	62
Appendix D : Disclosures of Grants and Subsidies in terms of Municipal Finance Management Act	63 - 64

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UMHLATHUZE MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Umhlathuze Municipality set out on pages ... to ..., which comprise, the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umhlathuze Municipality as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 30 June 2013 in the financial statements of the Umhlathuze Municipality at, and for the year ended, 30 June 2012.

Material losses

9. As disclosed in note 26 to the financial statements, the municipality has incurred material losses relating to water amounting to R20,37 million (29,42 million kilolitres) (2012: R16,05 million (27,11 million kilolitres). The losses were incurred due to bulk metering of the traditional authorities and aging reticulation without sufficient refurbishment and maintenance.
10. As disclosed in note 26 to the financial statements, the municipality has incurred material losses relating to electricity amounting to R85,48 million (144,88 million kilowatts) (2012: R123,54 million (257,37 million kilowatts). The losses were incurred due theft, incorrect metering and aging of the network without sufficient refurbishment and maintenance.

Unauthorised expenditure

11. As disclosed in note 42.2.2 to the financial statements, the municipality has overspent on the depreciation and amortisation by R239, 10 million due depreciation charge not being budgeted for against rates and general as required by MFMA section 4(3).

Material under spending of municipal infrastructure grant

12. As disclosed in note 18.6 and note 42.2.4 to the financial statements, the municipality has materially under-spent the budget on its municipal infrastructure grant to the amount of R64,76 million.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

16. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
17. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

18. Although no material findings concerning the usefulness and reliability of the performance information was identified in the annual performance report, I draw attention to the following matter:

Achievement of planned targets

19. Of the total number of 53 targets planned for the year, 16 of these targets were not achieved during the year under review. This represents 30% of total planned targets that were not achieved during the year under review. This was due to the under spending in municipal infrastructure grant disclosed in note 18.6 to the financial statements.

Compliance with laws and regulations

20. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA.

Internal control

21. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

OTHER REPORT

Investigation in progress

22. One investigation into allegations of misconduct in the Infrastructure Department relating to the non-spending of Municipal Infrastructure Grant was in progress at the municipality.

Auditor-General

Pietermaritzburg

30 November 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY

City of uMhlathuze ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The uMhlathuze Municipality situated at 5 Mark Strasse, Richards Bay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 64, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



DR NJ SIBEKO
CITY MANAGER

29/8/2013
DATE

CITY OF uMHLATHUZE

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	RESTATED 2012 R
NET ASSETS AND LIABILITIES			
Net assets		3 487 271 244	3 538 691 219
Housing Development Fund	1	50 306 402	56 847 525
Accumulated surplus		3 436 964 842	3 481 843 694
Non-current liabilities		829 668 359	950 853 599
Long-term liabilities	2	625 249 504	732 521 599
Post employment medical aid benefits	30	204 418 855	218 332 000
Current liabilities		533 398 724	439 206 674
Consumer deposits	3	39 779 079	38 919 257
Trade and other payables	4	250 275 664	237 710 786
Provisions	31	23 317 157	20 270 069
Unspent conditional grants and receipts	5	113 802 638	47 515 600
Current portion of long-term liabilities	2	106 224 186	94 790 962
Total Net Assets and Liabilities		4 850 338 327	4 928 751 492
ASSETS			
Non-current assets		4 250 365 954	4 489 525 663
Property, plant and equipment	9	4 103 818 372	4 347 280 241
Investment property	11	133 156 869	132 531 646
Intangible assets	10	10 545 415	6 779 298
Heritage assets	8	2 488 594	2 488 594
Non-current receivables	13	356 704	445 884
Current assets		599 972 373	439 225 829
Inventory	7	74 703 285	65 664 644
Trade receivables	12	239 462 934	185 750 252
Other receivables	14	26 906 002	22 723 219
VAT	6	16 013 786	7 716 708
Current portion of long-term receivables	13	110 873	157 272
Cash and cash equivalents	15	242 775 493	157 213 733
Total Assets		4 850 338 327	4 928 751 492

CITY OF uMHLATHUZE

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 R	2012 R
REVENUE			
Non-exchange revenue		516 243 120	439 806 160
Property rates	16	238 006 738	204 613 796
Fines		10 549 626	3 004 784
Government grants and subsidies	18	253 530 276	231 543 392
Public contributions		243 335	644 188
Reduction on post employment benefit obligations	30	13 913 145	-
Exchange revenue		1 524 411 752	1 273 766 535
Service charges	17	1 369 809 756	1 206 759 627
Rental of facilities and equipment		16 860 051	16 132 869
Interest earned - external investments		14 498 748	4 012 177
Interest earned - outstanding debtors		1 778 337	1 639 381
Licences and permits		1 932 878	1 831 263
Income for agency services		6 093 399	5 922 207
Other income	19	112 869 933	31 611 923
Gains on sale of land		-	5 857 088
Gains on disposal of property, plant and equipment		568 650	-
Total Revenue		2 040 654 872	1 713 572 695
EXPENDITURE			
Employee related costs	20	437 125 880	393 064 515
Remuneration of Councillors	21	17 147 836	15 863 285
Bad debts	12	3 646 893	3 000 000
Collection costs		117 821	56 956
Depreciation	9,11	343 657 602	299 567 639
Amortisation	10	1 657 881	1 333 078
Post employment benefits expenses	30	-	28 941 000
Conditional grant expenditure		9 060 384	7 744 926
Repairs and maintenance		65 438 417	40 270 918
Finance costs	22	79 985 065	82 480 951
Bulk purchases	23	937 246 910	834 000 556
Contracted services		98 864 566	83 808 772
Grants and subsidies paid	24	2 090 507	1 177 025
Loss on sale of land		469 904	-
General expenses	36	95 565 179	69 544 278
Total Expenditure		2 092 074 844	1 860 853 900
SURPLUS/(DEFICIT) FOR THE YEAR		(51 419 972)	(147 281 205)

CITY OF uMHLATHUZE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Housing Development Fund R	Accumulated Surplus R	Total R
2012				
Balance at 30 June 2011		54 279 060	3 498 167 984	3 552 447 044
Inventory land not brought in previous year			7 371 930	7 371 930
Correction of depreciation			12 763 155	12 763 155
Heritage assets recognised	33		177 211	177 211
Council properties recognised - cost	33		1 831 000	1 831 000
Accumulated depreciation on recognised properties	33		(292 960)	(292 960)
Restated balance 30 June 2011		54 279 060	3 520 018 320	3 574 297 380
Surplus / (deficit) for the year			(147 281 205)	(147 281 205)
Transfer to Housing Development Fund		2 568 465	(2 568 465)	-
Balance at 30 June 2012		56 847 525	3 370 168 647	3 427 016 175
2013				
Balance at 30 June 2012		56 847 525	3 370 168 647	3 427 016 175
Inventory land not brought into account previous year	33		240 000	240 000
Prior year loss on disposal of council property	33		(1 788)	(1 788)
Change in accounting policy	40		1 155 909	1 155 909
Recognised council properties depreciation for 2012	33		(61 752)	(61 752)
Correction of accumulated depreciation	33		110 342 679	110 342 679
Restated balance 30 June 2012		56 847 525	3 481 843 694	3 538 691 221
Surplus / (deficit) for the year			(51 419 972)	(51 419 972)
Transfer to Housing Development Fund		(6 541 123)	6 541 123	-
Balance at 30 June 2013		50 306 402	3 436 964 841	3 487 271 241

CITY OF UMHLATHUZE

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		2 020 925 727	1 670 364 645
Cash paid to suppliers and employees		(1 661 330 860)	(1 396 522 437)
Cash generated from operations	25	359 594 868	273 842 208
Interest received		14 498 748	4 012 177
Interest paid		(79 985 065)	(82 480 951)
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>294 108 551</u>	<u>195 373 434</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(115 036 478)	(75 311 486)
Proceeds on disposal of property, plant and equipment		2 192 983	-
Decrease in non-current receivables		135 579	155 483
NET CASH UTILISED FROM INVESTING ACTIVITIES		<u>(112 707 916)</u>	<u>(75 156 003)</u>
CASH FLOWS UTILISED FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	78 000 000
Repayment of borrowings		(95 838 873)	(80 562 587)
NET CASH FLOW FROM FINANCING ACTIVITIES		<u>(95 838 873)</u>	<u>(2 562 587)</u>
Net increase/(decrease) in cash and cash equivalents		85 561 761	117 654 845
Cash and cash equivalents at the beginning of the year		157 213 733	39 558 888
Cash and cash equivalents at the end of the year	15	<u>242 775 493</u>	<u>157 213 733</u>

CITY OF UMHLATHUZE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual R'000	Approved budget R'000	Final budget R'000	Variance: Final budet and actual amounts R'000	Variance %
STATEMENT OF FINANCIAL POSITION						
42.2.1						
Total current assets		599 972	359 532	416 833	(183 139)	(43.94)
Total non-current assets		4 250 366	4 394 707	4 315 917	65 551	1.52
Total Assets		4 850 338	4 754 239	4 732 750	(117 588)	(2.48)
Total current liabilities		533 399	360 824	361 547	(171 852)	(47.53)
Total non-current liabilities		829 668	733 975	830 819	1 151	0.14
Total Liabilities		1 363 067	1 094 799	1 192 366	(170 701)	(14.32)
Total net assets		3 487 271	3 659 440	3 540 384	53 113	1.50
Total net assets and liabilities		4 850 338	4 754 239	4 732 750	(117 588)	(2.48)
STATEMENT OF FINANCIAL PERFORMANCE						
42.2.2						
Property rates		238 007	231 260	238 260	253	0.11
Service charges		1 369 810	1 357 045	1 365 165	(4 645)	(0.34)
Rental of facilities and equipment		16 860	6 130	15 204	(1 656)	(10.89)
Interest earned - external investments		14 499	1 648	3 954	(10 545)	(266.69)
Interest earned - outstanding debtors		1 778	1 317	1 601	(177)	(11.06)
Fines		10 550	2 052	11 412	862	7.55
Licences and permits		1 933	1 686	1 883	(50)	(2.66)
Income for agency fees		6 093	5 300	5 800	(293)	(5.05)
Government grants and subsidies		253 530	306 435	314 435	60 905	19.37
Public contributions		243	-	-	(243)	-
Other income		112 870	26 739	28 255	(84 615)	(299.47)
Reduction on post employment benefits		13 913	-	-	(13 913)	-
Gains on sale of property, plant and equipment		569	-	-	(569)	-
Total Revenue		2 040 655	1 939 612	1 985 969	(54 686)	(2.75)
Employee related costs		437 126	451 428	449 751	12 625	2.81
Remuneration of Councillors		17 148	19 388	19 388	2 240	11.55
Debt impairment		3 647	2 500	2 500	(1 147)	(45.88)
Collection costs		118	118	118	-	-
Depreciation and amortisation		345 316	106 218	106 218	(239 098)	(225.10)
Conditional grant expenditure		9 060	6 851	6 451	(2 609)	(40.44)
Repairs and maintenance		65 438	65 309	63 765	(1 673)	(2.62)
Finance costs		79 985	82 441	82 441	2 456	2.98
Bulk purchases		937 247	892 886	914 223	(23 024)	(2.52)
Contracted services		98 865	86 113	94 059	(4 806)	(5.11)
Grants and subsidies paid		2 091	1 824	2 528	437	17.29
Loss on sale of land		470	-	-	(470)	-
General expenses		95 565	97 219	129 866	34 301	26.41
Total expenditure		2 092 076	1 812 295	1 871 308	(220 768)	(11.80)
Surplus/(Deficit) for the year		(51 421)	127 317	114 661	166 082	144.85
CASH FLOW STATEMENT						
42.2.3						
Net cash from (used) operating		294 109	236 454	223 788	(70 321)	(31.42)
Net cash from (used) investing		(72 708)	(206 483)	(83 483)	(10 775)	12.91
Net cash from (used) financing		(95 839)	(94 791)	(94 791)	1 048	(1.11)
Net (decrease)/increase in cash and cash equivalents		125 562	(64 820)	45 514	(80 048)	(175.88)
CAPITAL EXPENDITURE						
42.2.4						
Budget and Treasury Office		196	409	2 202	2 006	91.10
Community and Social Services		4 470	6 599	11 116	6 646	59.79
Corporate Services		22 040	23 483	26 792	4 752	17.74
Electricity		15 544	23 179	45 665	30 121	65.96
Executive and Council		-	-	202	202	100.00
Health		225	320	263	38	14.45
Housing		6 046	8 925	8 925	2 879	32.26
Other		2 258	-	-	(2 258)	-
Planning and Development		219	72	136	(83)	(61.03)
Public Safety		2 920	4 916	5 491	2 571	46.82
Road Transport		7 028	23 160	27 480	20 452	74.43
Sport and Recreation		2 276	4 199	7 564	5 288	89.91
Waste Management		183	1 220	1 070	887	82.90
Waste Water Management		36 584	68 986	43 225	6 641	15.36
Water		15 048	41 016	53 415	38 367	71.83
Total		115 037	206 484	233 546	118 509	50.74

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from Non-exchange transactions
GRAP 24	Presentation of budget information
GRAP 26	Impairment of cash generating assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosure
IAS19	Employee Benefits

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest thousand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standard has been issued but is not yet effective and has not been early adopted by the municipality:

- GRAP 25 Employee benefits – effective 01 April 2013

Management has considered all the of the above-mentioned GRAP standard issued but not yet effective and anticipates that the adoption of these standard will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its' acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

6.1 INITIAL RECOGNITION (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 SUBSEQUENT MEASUREMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 DEPRECIATION

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

6.3 DEPRECIATION (continued)

	Years		Years
Infrastructure		Other	
Roads and Paving	15-65	Buildings	30
Pedestrian Malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-65	Office equipment	3-5
Sewerage	15-50	Furniture and fittings	7
Housing	30	Watercraft	15
Community		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5		

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted retrospectively if appropriate, at each reporting date.

7. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

CITY OF UMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

8. IMPAIRMENT OF NON-FINANCIAL ASSETS

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

- Cessation or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the entity that have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

- Evidence of physical damage of an asset;
- Increased expenditure on repairs and maintenance on the asset.

Impairment of Cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

Impairment of Non-cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

9. INTANGIBLE ASSETS

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

9. INTANGIBLE ASSETS (continued)

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an intangible asset is amortised over the useful life of 3 years.

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it.

10. INVESTMENT PROPERTIES

INITIAL RECOGNITION

Investment property is recognised as an asset where, only where:

- It probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost.

SUBSEQUENT MEASUREMENT

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Vacant land held under investment properties is not depreciated.

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold water at year-end is valued at the lower of cost and net realizable value.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition. Assessing historical cost of land and then breaking it down into individual was impractical and inaccurate. The 2007/8 valuation of land in terms of the MPRA, which is very reliable, was used to determine cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

12. REVENUE RECOGNITION

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality,

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Contributed property, plant and equipment are recognised when such items or property, plant and equipment are brought into use. Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

13. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

14. HOUSING DEVELOPMENT FUND

Housing selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area.

15. RETIREMENT BENEFITS

The Municipality provides post retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period.

The Defined benefit obligations are valued once in two years by independent qualified actuaries.

16. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

16. BORROWING COSTS (continued)

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

17. FINANCIAL INSTRUMENTS

Financial Instruments are recognized when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. The classification of financial instruments and purpose is determined at the time of initial recognition.

17.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as financial instruments and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

17.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorized as financial assets: loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

17.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

17. FINANCIAL INSTRUMENTS (continued)

17.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities.

18. HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

19. BUDGET INFORMATION

The budget is prepared on an accrual basis. The budget amounts are scheduled as a separate additional financial statement called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

20. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

CITY OF UMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23. COMPARATIVE INFORMATION

23.1 *Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

23.2 *Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
1 HOUSING DEVELOPMENT FUND		
The Housing Development Fund is represented by the following assets		
Fixed Assets	71 031 750	48 327 919
Bank and cash	32 123 792	19 162 487
Accumulated Surplus	(52 849 140)	(10 642 882)
Total Housing Development Fund Assets and Liabilities	50 306 402	56 847 524

2 LONG-TERM LIABILITIES

Annuity Loans	731 473 690	827 312 561
Less: Current portion transferred to current liabilities	(106 224 186)	(94 790 962)
Total External Loans	625 249 504	732 521 599

Refer to Appendix A for more detail on long-term liabilities

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2 LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

	DBSA	DBSA	INCA	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	DBSA	NEDBANK	NEDBANK	Totals
	17 703 628 12.00%	5 046 390 14.50%	9 652 565 13.95%	30 498 359 6.46%	33 472 656 5.25%	153 665 299 8.75%	167 636 054 11.70%	23 704 819 6.75%	72 683 184 11.57%	144 098 661 11.26%	73 312 074 9.59%		731 473 689
2014	5 347 477	1 403 464	2 570 621	13 868 896	12 337 728	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863		177 420 619
2015	5 347 477	1 403 464	2 570 621	13 868 896	12 337 728	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863		177 420 619
2016	5 347 477	1 403 464	2 570 621	6 934 448	6 168 864	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863		164 317 307
2017	5 347 477	1 403 464	2 570 621			33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863		151 213 995
2018	5 347 477	1 403 464	2 570 621			33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863		151 213 995
2019			1 298 842			33 473 084	21 103 724	4 871 725	17 142 868	31 894 160	12 302 863		122 087 266
2020										15 947 080	12 302 863		28 249 943
2021											12 302 863		12 302 863
2022											12 302 863		12 302 863

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30 June 2013

- (i) The interest rate applicable to the Standard Bank & Nedbank loan is variable and yearly instalments are therefore subject to interest rate risk
- (ii) Lease liability has been settled in full
- (iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no other requirements are attached

No early settlement options are profitable to Council

Conversion options are not applicable

There is no security given against the loans

Receipts or payments of the loans are in South African currency

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
3 CONSUMER DEPOSITS		
Electricity and Water	35 678 241	33 906 339
Other	4 100 837	5 012 918
Total Deposits	39 779 079	38 919 257
Guarantees held in lieu of Electricity and Water Deposits	52 089 633	52 001 278
4 TRADE AND OTHER PAYABLES		
Trade payables	60 931 142	53 048 035
Other payables	113 957 126	140 260 968
Retentions	10 482 128	8 563 273
Amounts Received in Advance	64 905 267	35 838 509
Total Creditors	250 275 664	237 710 786
5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Financial Management Grant	1 489 726	2 085 731
Restructuring Grant	215 969	215 969
Municipal Systems Improvemen	-	364 131
Infrastructure Skills Development Grant	(778 800)	-
Municipal Infrastructure Grant	64 763 706	22 800 333
Energy Efficiency and Demand Side Management Grant	6 683 312	-
Extended Public Works Programme Integrated Grant	(3 915)	-
Provincial Local Government Grants	11 255 977	5 143 536
Provincial Development Planning Grants	54 849	54 849
Provincial Housing Grants	28 101 143	12 080 063
Provincial Library Services Subsidies	215 729	126 688
Provincial Community Development Workers Programme	19 038	19 038
Provincial Department of Transport Subsidy	167 279	167 279
Department of Sport & Recreation	12 666	12 666
Department of Water Affairs (DWAF) Water Services Programme	205 307	205 307
Department of Water Affairs (DWAF) Refurbishment Grant	70	70
Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant	889 236	1 725 893
Department of Water Affairs (DWAF) Accelerated Infrastructure Programme	-	75 700
Department of Water Affairs (DWAF) Regional Bulk Water Project	-	1 500 000
Department of Agriculture and Environmental Affairs	385 941	750 691
uThungulu District Municipality Capacity Building Grant	3 513	125 285
uThungulu District Municipality Museum Operating Subsidy	11 849	11 849
uThungulu District Municipality Hosting of Annual SMME Fair	-	50 522
uThungulu District Municipality Bus Shelters and Laybys	110 043	-
	113 802 638	47 515 600

See Note 18 for reconciliation of grants from other spheres of government.

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
6 VAT		
Output Suspense	12 010 918	8 247 508
Input Suspense	(15 530 057)	(16 885 002)
Output Payable	(12 494 647)	920 786
VAT (claimable)	(16 013 786)	(7 716 708)

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2013	2012
	R	R
		RESTATED
7 INVENTORY		
Closing balance of inventories	74 703 285	65 664 644
Consumable stores - at cost	14 932 435	10 409 034
Water - at cost	255 850	260 610
Land	59 515 000	54 995 000

	2013	2012
	R	R
		RESTATED
8 HERITAGE ASSETS		
Opening balance	2 488 594	68 702
Buildings	2 242 681	-
Paintings and Statues	245 913	68 702
Transfers/adjustments	-	2 419 892
Buildings	-	2 242 681
Paintings and Statues	-	177 211
Additions	-	-
Buildings	-	-
Paintings and Statues	-	-
Disposals	-	-
Buildings	-	-
Paintings and Statues	-	-
Carrying value	2 488 594	2 488 594
Buildings	2 242 681	2 242 681
Paintings and Statues	245 913	245 913

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 Property, Plant and Equipment

30 June 2013

Reconciliation Of Carrying Values		Land		Housing		Infrastructure		Community		Other		Total	
		R		R		R		R		R		R	
Carrying Values													
At 1 July 2012		545 330 950		66 104 239		3 339 184 675		205 092 713		191 567 664		4 347 280 241	
Cost		545 330 950		72 613 358		2 157 412 760		283 577 376		435 468 886		3 494 403 330	
Deemed cost						7 356 245 978						7 356 245 978	
Accumulated Depreciation		-		(6 509 119)		(6 174 474 063)		(78 484 663)		(243 901 222)		(6 503 369 067)	
Acquisitions		-		-		17 120 428		1 107 928		20 492 620		38 720 976	
Capital under construction				6 045 656		57 804 683		2 519 628		2 263 616		68 633 583	
Transfer to inventory land		(7 151 000)		-		-		-		-		(7 151 000)	
Transfer from investment properties				-		-		-		272		272	
Transfer of accumulated depreciation						-		-		(272)		(272)	
Depreciation													
Based on cost													
Based on revaluation													
Carrying Value Of Disposals		-		(1 118 145)		(288 324 225)		(12 477 129)		(41 605 406)		(343 524 905)	
		-		(1 118 145)		(288 324 225)		(12 477 129)		(41 605 406)		(343 524 905)	
Cost		-		-		-		-		(140 523)		(140 523)	
Revaluation		-		-		-		-		(2 090 408)		(2 090 408)	
Accumulated Depreciation		-		-		-		-		1 949 885		1 949 885	
Carrying Values													
At 30 June 2013		538 179 950		71 031 750		3 125 785 561		196 243 140		172 577 971		4 103 818 372	
Cost		538 179 950		78 659 014		2 232 337 871		287 204 932		456 134 986		3 592 516 753	
Deemed Cost						7 356 245 978						7 356 245 978	
Accumulated Depreciation				(7 627 264)		(6 462 798 288)		(90 961 792)		(283 557 015)		(6 844 944 359)	
Cost		-		(7 627 264)		(6 462 798 288)		(90 961 792)		(283 557 015)		(6 844 944 359)	

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Property, Plant and Equipment (continued)

Note 9 (continued) - Restated						
Reconciliation Of Carrying Values						
	Land	Housing	Infrastructure	Community	Other	Total
	R	R	R	R	R	R
Carrying Values						
At 1 July 2011	558 833 950	49 447 754	3 439 449 413	214 844 508	211 318 996	4 473 894 621
Cost	558 833 950	72 036 586	2 085 461 937	287 085 059	428 925 473	3 432 343 005
Deemed Cost			7 356 245 978			7 356 245 978
Asset recognised - prior year					1 831 000	1 831 000
Accumulated Depreciation	-	(22 588 832)	(6 002 258 502)	(72 240 551)	(219 144 517)	(6 316 232 402)
Accumulated Depreciation - recognised assets prior year					(292 960)	(292 960)
Acquisitions	-	-	13 541 804	173 460	16 902 735	30 617 999
Capital Under Construction	-	622 772	43 836 536	1 066 678	426 496	45 952 482
Transfer	-	-	14 572 483	(2 505 140)	(12 067 343)	-
Transfer to land inventory	(13 503 000)	(46 000)	-	-	-	(13 549 000)
Reversal of depreciation on Heritage asset	-	-	-	(2 242 681)	-	(2 242 681)
Depreciation on assets recognised	-	-	-	1 155 909	(61 752)	1 155 909
Transfer of Accumulated Depreciation	-	-	(3 257 825)	501 536	2 756 289	-
Depreciation	-	(1 696 607)	(254 755 712)	(12 006 388)	(31 085 535)	(299 544 242)
Based on cost	-	(1 696 607)	(254 755 712)	(12 006 388)	(31 085 535)	(299 544 242)
Based on revaluation	-	-	-	-	-	-
Carrying Value Of Disposals	-	-	-	-	(448 288)	(448 288)
Cost	-	-	-	-	(549 475)	(549 475)
Revaluation	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	101 187	101 187
Correction of Accumulated Depreciation - prior year error		17 776 320	85 797 976	4 104 831	3 826 066	111 505 193
Carrying Values						
At 30 June 2012	545 330 950	66 104 239	3 339 184 675	205 092 713	191 567 664	4 347 280 241
Cost	545 330 950	72 613 358	2 157 412 760	283 577 376	435 468 886	3 494 403 330
Deemed Cost			7 356 245 978			7 356 245 978
Accumulated Depreciation	-	(6 509 119)	(6 174 474 063)	(78 484 663)	(243 901 222)	(6 503 369 067)
Cost	-	(6 509 119)	(6 174 474 063)	(78 484 663)	(243 901 222)	(6 503 369 067)

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10 Intangible Asset

30 June 2013

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2012	6 779 298
Cost	17 646 064
Accumulated Amortisation	(10 866 766)
Acquisitions	4 374 224
Work in progress	1 049 774
Amortisation	(1 657 881)
Carrying Values	
At 30 June 2013	10 545 415
Cost	23 070 062
Accumulated Amortisation	(12 524 647)

30 June 2012

Reconciliation Of Carrying Values	Total
	R
Carrying Values	
At 1 July 2011	7 841 885
Cost	15 483 263
Accumulated Amortisation	(7 641 378)
Acquisitions	48 264
Work in progress	2 114 537
Amortisation	(1 333 078)
Correction of accumulated amortisation - prior years	(1 892 310)
Carrying Values	
At 30 June 2012	6 779 298
Cost	17 646 064
Accumulated Amortisation	(10 866 766)

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11 INVESTMENT PROPERTY

30 June 2013

TOWN	STAND NO	DEEDS NO	NAME	LIFE SPAN	CARRYING VALUES AS AT 01 JULY 2012	COST	ACCUMULATED DEPRECIATION	TRANSFER COST	TRANSFER ACC DEPRECIATION	ADDITION/ (DISPOSAL) (1 500 000)	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2013	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	-	1 500 000	1 500 000	-	-	-	-	-	-	-	-
EMPANGENI	45	T29874/1996	Zululand Built-It	-	1 000	1 000	-	-	-	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	Manifali A	-	4 300 000	4 300 000	-	-	-	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	-	2 000 000	2 000 000	-	-	-	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	-	1 350 000	1 350 000	-	-	-	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport	25	18 250 012	23 057 941	(4 807 929)	(272)	272	2 257 921	(107 557)	20 400 376	25 315 590	(4 915 214)
EMPANGENI	246	G93/1960	Company (PTY) LTD Emanzini Leisure Resort Meerensee Mall Scoonies	-	1 100 000	1 100 000	-	-	-	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	Vier	25	3 992 213	6 663 646	(2 671 433)	-	-	-	(14 381)	3 977 832	6 663 646	(2 685 814)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	-	4 500 000	4 500 000	-	-	-	-	-	4 500 000	4 500 000	-
NGWEELEZANE	752	T64286/2000	Byela A S	-	47 000	47 000	-	-	-	-	-	47 000	47 000	-
NSELENI	1 342	T65440/2003	Gumede S M	-	40 000	40 000	-	-	-	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	Mishali D	-	680 000	680 000	-	-	-	-	-	680 000	680 000	-
RICHARDS BAY	2 305	G128/1973	Bundu Nursery	-	250 000	250 000	-	-	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T14569/1979	Grindrod Terminals	-	9 000 000	9 000 000	-	-	-	-	-	9 000 000	9 000 000	-
RICHARDS BAY	5 333	T8915/1993	Benians B S Construction	-	1 000 000	1 000 000	-	-	-	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5 333	T8915/1993	Benians B S Construction	-	700 000	700 000	-	-	-	-	-	700 000	700 000	-
RICHARDS BAY	5 333	T8915/1993	Lease Group 5 Civils	-	860 000	860 000	-	-	-	-	-	860 000	860 000	-
RICHARDS BAY	5 333	T8915/1993	Morganite SA (PTY) LTD	-	180 000	180 000	-	-	-	-	-	180 000	180 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Gypsum Dam)	-	70 000	70 000	-	-	-	-	-	70 000	70 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyor Beld)	-	250 000	250 000	-	-	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyor Beld)	-	75 000	75 000	-	-	-	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	Waste Site	-	500 000	500 000	-	-	-	-	-	500 000	500 000	-
RICHARDS BAY	5 333	T19417/2001	Lease Grindrod Terminals	-	1 500 000	1 500 000	-	-	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	Green Africa Nursery	-	150 000	150 000	-	-	-	-	-	150 000	150 000	-
RICHARDS BAY	5 333	T19417/2001	Ribeiro L M R	-	4 500 000	4 500 000	-	-	-	-	-	4 500 000	4 500 000	-
RICHARDS BAY	6 364	T4199/1980	Checkers	-	240 000	240 000	-	-	-	-	-	240 000	240 000	-
EMPANGENI	8 436	T37193/1995	Neliswa Ealing House	-	6 100 000	6 100 000	-	-	-	-	-	6 100 000	6 100 000	-
RICHARDS BAY	9 893	T26939/1988	Naicker V	-	380 000	380 000	-	-	-	-	-	380 000	380 000	-
RICHARDS BAY	10 033	T28872/1991	LOT 11161 (PTY) LTD	-	530 000	530 000	-	-	-	-	-	530 000	530 000	-
RICHARDS BAY	11 376	T34219/1993	Pulp United (PTY) LTD	-	56 000 000	56 000 000	-	-	-	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11 377	T21865/1993	Manitis Properties CC	-	1 600 000	1 600 000	-	-	-	-	-	1 600 000	1 600 000	-
RICHARDS BAY	2 627	T16212/1978	Ferreira M S	-	1 200 000	1 200 000	-	-	-	-	-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	25	8 186 420	9 448 505	(1 262 085)	(272)	272	757 921	(10 759)	8 175 661	9 448 505	(1 272 844)
					132 531 645	141 273 092	(8 741 447)	(272)	272	757 921	(132 697)	133 156 869	142 030 741	(8 873 872)

Land held under investment property is not depreciated and thus no useful life

CITY OF UMLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Investment Property (continued)

30 June 2012 (Restated)

TOWN	STAND NO	DEEDS NO	NAME	USEFUL LIFE	CARRYING VALUES AS AT 01 JULY 2011	COST	ACCUMULATED DEPRECIATION	WORK IN PROGRESS	DEPRECIATION WRITTEN BACK (correction)	DEPRECIATION 30 JUNE 2012	CARRYING VALUES AS AT 30 JUNE 2012	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	-	1 500 000	1 500 000	-	-	-	-	1 500 000	1 500 000	-
EMPANGENI	45	T29874/1996	Zululand Built-It	-	1 000	1 000	-	-	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	Manitall A	-	4 300 000	4 300 000	-	-	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	-	2 000 000	2 000 000	-	-	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	-	1 350 000	1 350 000	-	-	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	25	9 781 218	14 749 162	(5 069 126)	8 308 779	268 825	(7 628)	18 250 012	23 057 941	(4 807 929)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	-	1 100 000	1 100 000	-	-	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	25	3 683 658	6 663 646	(2 987 982)	-	316 529	-	3 992 213	6 663 646	(2 671 433)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	-	4 500 000	4 500 000	-	-	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	Biyela A S	-	47 000	47 000	-	-	-	-	47 000	47 000	-
NSELENI	1 342	T65440/2003	Gumede S M	-	40 000	40 000	-	-	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	Mshali D	-	680 000	680 000	-	-	-	-	680 000	680 000	-
RICHARDS BAY	2 305	G128/1973	Bundu Nursery	-	250 000	250 000	-	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T14589/1979	Grindrod Terminals	-	9 000 000	9 000 000	-	-	-	-	9 000 000	9 000 000	-
RICHARDS BAY	5 333	T6915/1993	Benians B S Construction	-	1 000 000	1 000 000	-	-	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5 333	T6915/1993	Benians B S Construction	-	700 000	700 000	-	-	-	-	700 000	700 000	-
RICHARDS BAY	5 333	T6915/1993	Lease Group 5 Civils	-	860 000	860 000	-	-	-	-	860 000	860 000	-
RICHARDS BAY	5 333	T6915/1993	Morgannite SA (PTY) LTD	-	180 000	180 000	-	-	-	-	180 000	180 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Gypsum Dam)	-	70 000	70 000	-	-	-	-	70 000	70 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Retention Dam)	-	250 000	250 000	-	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyer Beld)	-	75 000	75 000	-	-	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyer Beld)	-	500 000	500 000	-	-	-	-	500 000	500 000	-
RICHARDS BAY	5 333	T4097/2006	Waste Site	-	1 500 000	1 500 000	-	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	Lease Grindrod Terminals	-	1 500 000	1 500 000	-	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	Green Africa Nursery	-	150 000	150 000	-	-	-	-	150 000	150 000	-
RICHARDS BAY	5 333	T19417/2001	Ribeiro L M R	-	4 500 000	4 500 000	-	-	-	-	4 500 000	4 500 000	-
RICHARDS BAY	6 364	T4199/1980	Checkers	-	240 000	240 000	-	-	-	-	240 000	240 000	-
EMPANGENI	8 436	T37193/1995	Neliswa Eating House	-	6 100 000	6 100 000	-	-	-	-	6 100 000	6 100 000	-
RICHARDS BAY	9 893	T26939/1988	Naicker V	-	380 000	380 000	-	-	-	-	380 000	380 000	-
RICHARDS BAY	10 033	T29872/1991	LOT 11161 (PTY) LTD	-	530 000	530 000	-	-	-	-	530 000	530 000	-
RICHARDS BAY	11 376	T34219/1993	Pulp United (PTY) LTD	-	56 000 000	56 000 000	-	-	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11 377	T21885/1993	Manitis Properties CC	-	1 600 000	1 600 000	-	-	-	-	1 600 000	1 600 000	-
RICHARDS BAY	2 627	T16212/1978	Ferreira M S	-	1 200 000	1 200 000	-	-	-	-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	Invubu Lodge/River Rock	25	8 048 611	9 448 505	(1 390 758)	-	144 442	(15 769)	8 186 420	9 448 505	(1 262 085)
					123 616 487	132 964 313	(9 447 846)	8 308 779	729 796	(23 397)	132 531 646	141 273 092	(8 741 447)

Land held under investment property is not depreciated and thus no useful life

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 TRADE RECEIVABLES

As at 30 June 2013

	R	R
From exchange transactions		203 425 848
Electricity	42 094 275	
June consumption billed in July	94 359 323	136 453 598
Water	35 266 002	
June consumption billed in July	13 053 044	
June water surcharge billed in July	214 699	48 533 745
Sewerage	11 390 973	
Special Sewer charges	241 850	
June sewer surcharge billed in July	191 277	11 824 100
Refuse		6 614 405
Rental		10 488 375
Sundry		22 122 740
From non-exchange transactions		
Rates		26 425 973
Gross Balance		262 462 935
Less: Provision for Bad Debts		(23 000 000)
Net Balance		<u>239 462 935</u>

As at 30 June 2012

From exchange transactions		159 174 716
Electricity	38 590 718	
June consumption billed in July	78 820 247	117 410 965
Water	21 986 917	
June consumption billed in July	2 764 052	
June water surcharge billed in July	234 897	24 985 866
Sewerage	10 469 714	
Special Sewer charges	237 686	
June sewer surcharge billed in July	127 966	10 835 366
Refuse		5 942 519
Rental		5 553 751
Sundry		15 653 371
From non-exchange transactions		
Rates		24 868 415
Gross Balance		205 250 253
Less: Provision for Bad Debts		(19 500 000)
Net Balance		<u>185 750 253</u>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12 TRADE RECEIVABLES (Continued)		
Rates Ageing		
Current (0 - 30) days	14 485 663	13 958 686
31 - 60 days	2 038 909	1 754 547
61- 90 days	790 507	998 638
91 - 120 days	655 271	659 212
121-360 days	4 328 718	4 105 197
361 + days	4 126 905	3 392 135
Total	26 425 973	24 868 415
Electricity, Water, Sewerage and Refuse: Ageing		
Current (0 - 30) days	161 231 779	128 448 870
31 - 60 days	8 277 109	6 353 563
61- 90 days	4 233 470	3 633 751
91 - 120 days	2 346 183	2 333 601
121-360 days	12 059 527	8 324 785
361+ days	15 277 778	10 080 146
Total	203 425 847	159 174 715
Rental		
Current (0 - 30) days	131 604	770 313
31 - 60 days	478 033	182 960
61- 90 days	389 577	170 391
91 - 120 days	413 828	176 732
121-360 days	5 525 287	1 330 165
361+ days	3 550 046	2 923 190
Total	10 488 375	5 553 751
Sundry		
Current (0 - 30) days	(501 178)	1 967 590
31 - 60 days	2 223 012	2 501 988
61- 90 days	2 944 926	639 998
91 - 120 days	25 299	-348 584
121-360 days	6 356 272	5 555 143
361+ days	11 074 410	5 337 236
Total	22 122 740	15 653 370
Neither passed due nor impaired	196 723 412	161 381 294
Past due and impaired	23 000 000	19 500 000
Past due not impaired	42 739 522	24 368 958
	262 462 934	205 250 252

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 TRADE RECEIVABLES (Continued)

Summary of Debtors by Customer classification

	Residential R	Industry/ commercial R	State R	Total R
30 June 2013				
Current (0 - 30) days	42 347 179	124 601 065	14 582 282	181 530 526
31 - 60 days	1 636 314	6 884 337	1 081 865	9 602 516
61- 90 days	1 555 952	1 568 713	294 569	3 419 233
91 - 120 days	1 582 755	1 962 391	120 194	3 665 340
121+days	28 460 564	31 475 971	4 308 783	64 245 318
Sub-total	75 582 765	166 492 477	20 387 692	262 462 935
Less provision for bad debt	(6 629 376)	(14 582 416)	(1 788 208)	(23 000 000)
Total debtors by customer classification	68 953 388	151 910 061	18 599 484	239 462 935
30 June 2012				
Current (0 - 30) days	40 374 412	100 011 256	8 059 236	148 444 904
31 - 60 days	1 629 913	3 695 823	835 339	6 161 075
61- 90 days	1 270 004	2 075 558	668 269	4 013 832
91 - 120 days	1 284 953	923 445	148 967	2 357 366
121+days	22 488 548	18 259 675	3 524 853	44 273 076
Sub-total	67 047 830	124 965 757	13 236 665	205 250 253
Less provision for bad debt	(6 367 720)	(11 875 157)	(1 257 123)	(19 500 000)
Total debtors by customer classification	60 680 109	113 090 601	11 979 542	185 750 253

	2013 R	2012 R
Reconciliation of the bad debt provision		
Balance at beginning of the year	19 500 000	16 500 000
Contributions to provision	3 646 893	3 000 000
Bad debts written off against provision	(146 893)	-
Balance at end of year	23 000 000	19 500 000

13 NON-CURRENT RECEIVABLES

Housing loans to Staff	265 570	286 563
Study loans	202 007	316 593
Bursaries	-	-
	467 577	603 156
Less: Current portion transferred to Current Assets	(110 873)	(157 272)
Total Receivables	356 704	445 884

Housing Loans, car loans and bursaries were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
14 OTHER RECEIVABLES		
Payments made in advance	479 845	477 504
Other receivables	26 426 158	22 245 715
Total Other Debtors	26 906 002	22 723 219
15 BANK, CASH AND CALL INVESTMENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts		
Bank balances and cash	202 775 493	77 213 733
Call investment deposits	40 000 000	80 000 000
Total bank balances and cash	242 775 493	157 213 733
Bank accounts		
The municipality has the following bank accounts:		
Current Account (Primary Account)		
ABSA Bank - Richards Bay		
Current /Cheque Account number 2150000028		
Cash book balance at beginning of year	(30 057 643)	3 703 818
Cash book balance at end of year	(22 308 662)	(30 057 643)
Bank statement balance at beginning of year	2 563 073	3 667 775
Bank statement balance at end of year	15 959 441	2 563 073
Deposit Account		
ABSA Bank - Richards Bay		
Current/Deposit Account number 2150000095		
Cash book balance at beginning of year	6 825 965	5 176 832
Cash book balance at end of year	22 671 751	6 825 965
Bank statement balance at beginning of year	5 673 566	2 827 652
Bank statement balance at end of year	21 069 963	5 673 566
Hostel Account		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 8291 6767		
Cash book balance at beginning of year	4 007 144	4 614 109
Cash book balance at end of year	1 621 397	4 007 144
Bank statement balance at beginning of year	4 007 144	4 614 109
Bank statement balance at end of year	1 618 259	4 007 144
Hostel Account - Phase 2		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 3367 4990		
Cash book balance at beginning of year	8 501 419	8 132 035
Cash book balance at end of year	8 872 875	8 501 419
Bank statement balance at beginning of year	8 501 419	8 132 035
Bank statement balance at end of year	8 850 204	8 501 419

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
15 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCES (continued)		
Hostel Account - Phase 3		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 8322 1999		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	20 245 048	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	20 209 133	-
Housing Account - Brackenham		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 2361 5121		
Cash book balance at beginning of year	4 741 652	4 535 630
Cash book balance at end of year	4 945 013	4 741 652
Bank statement balance at beginning of year	4 741 652	4 535 630
Bank statement balance at end of year	4 927 799	4 741 652
Housing Account - Ngwelezane		
ABSA Bank - Richards Bay		
Current /Cheque Account number 91 7137 3496		
Cash book balance at beginning of year	1 996 534	1 909 786
Cash book balance at end of year	2 083 770	1 996 534
Bank statement balance at beginning of year	1 996 534	1 909 786
Bank statement balance at end of year	2 076 516	1 996 534
Housing Account - Pionierhof		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 9224 7889		
Cash book balance at beginning of year	12 424 301	2 258 731
Cash book balance at end of year	4 849 961	12 424 301
Bank statement balance at beginning of year	12 424 301	2 258 731
Bank statement balance at end of year	4 842 451	12 424 301
Conditional Grants		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 7137 3917		
Cash book balance at beginning of year	38 350 228	9 196 097
Cash book balance at end of year	107 697 729	38 350 228
Bank statement balance at beginning of year	38 350 228	9 196 097
Bank statement balance at end of year	107 322 834	38 350 228
Capital Replacement Reserve		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 7206 8005		
Cash book balance at beginning of year	30 386 158	-
Cash book balance at end of year	52 061 052	30 386 158
Bank statement balance at beginning of year	30 386 158	-
Bank statement balance at end of year	52 037 979	30 386 158
Petty Cash		
Balance at beginning of year	32 550	31 850
Balance at end of year	32 550	32 550

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
15 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCES (continued)		
Deposit account		
ABSA Bank - Richards Bay		
Current/Deposit Account number 40 7928 6548		
Cash book balance at beginning of year	5 425	-
Cash book balance at end of year	3 010	5 425
 Bank statement balance at beginning of year	 5 425	 -
Bank statement balance at end of year	633 461	5 425
 16 PROPERTY RATES		
Actual		
Residential	93 413 650	86 014 039
Commercial	133 920 860	109 186 304
State	10 672 228	9 413 453
Total Assessment Rates	238 006 738	204 613 796
 Property Valuations		
Residential	15 397 716 899	16 095 913 599
Commercial	10 768 444 700	9 808 656 000
State	1 657 085 100	1 688 788 900
Municipal	1 489 942 500	1 482 899 700
Total Property Valuations	29 313 189 199	29 076 258 199

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Three supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

Predominant Use	Rate Randage	Ratio to Residential Tariff
Residential Properties	0.00674	1:1
Business, Commercial and Industrial Properties and Mining	0.01348	1:2
Agricultural Properties	0.00169	1:0,25
Agricultural Properties (business)	0.01348	1:2
State Trust land	0.00674	1:1
State Owned Properties	0.00674	1:1
Public Service Infrastructure	0.00169	1:0,25
Public Benefit Organisations	0.00169	1:0,25

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
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16 PROPERTY RATES (continued)

Subject to the provisions contained in the Rate Policy and upon application the following rebates were applied:

Agricultural Properties - 5%
Public Benefit Organisations - 100%
Sporting Bodies - 100%
Pensioners - R100 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R60 000 of the valuation on all developed residential properties with < R375 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis, is 30 September of each year and 30 June for monthly rate payers. Interest of prime plus 1% per annum is levied on outstanding rates.

17 SERVICE CHARGES

Sale of electricity	1 091 706 337	966 962 029
Sale of water	154 005 569	129 263 197
Surcharge on water	4 631 718	4 744 805
Refuse removal	52 519 701	46 088 020
Sewerage and sanitation charges	66 946 431	59 701 576
Total Service Charges	1 369 809 756	1 206 759 627

An amount of R7 796 113.17 received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

18 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	179 139 000	161 782 000
Financial Management Grant	1 500 005	1 344 958
Municipal Systems Improvement Grant	375 131	904 093
Infrastructure Skills Development Grant	3 778 800	-
Municipal Infrastructure Grant	39 283 176	42 870 972
Energy Efficiency and Demand Side Management Grant	1 316 688	-
Expanded Public Works Programme Integrated Grant	1 003 915	-
Provincial Health Subsidies	4 842 400	4 804 000
Provincial Local Government Grants	5 151 188	8 754 334
Provincial Housing Grants	7 543 232	912 177
Provincial Library Service Subsidies	3 314 759	3 389 504
Provincial Museum Services Subsidies	134 000	125 000
Department of Water Affairs - Cleanest Town Award	-	41 109
Department of Water Affairs (DWAF) Water Conservation and Demand	836 656	599 941
Department of Water Affairs - Institutional Support Programme Grant	-	(200 602)
Department of Water Affairs - Accelerated Infrastructure Programme	75 700	4 134 300
Department of Agriculture and Environmental Affairs	364 751	484 863
Department of Minerals and Energy	-	(2 775 322)
uThungulu District Municipality Environmental Health service	4 603 259	4 342 698
uThungulu District Municipality Capacity Building Grants	121 772	9 367
uThungulu District Municipality Hosting of Annual SMME Fair	48 503	-
uThungulu District Municipality Zulu Dance Competition	-	20 000
uThungulu District Bus Shelters and Laybys	97 341	-
	253 530 276	231 543 392

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
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18 GOVERNMENT GRANTS AND SUBSIDIES (continued)

18.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services

18.2 Financial Management Grant

Balance unspent at beginning of year	2 085 732	1 980 690
Current year receipts	904 000	1 450 000
Conditions met - transferred to revenue	(1 500 005)	(1 344 958)
Conditions still to be met - transferred to liabilities	<u>1 489 727</u>	<u>2 085 732</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. An amount of R596 000 was withdrawn by National Treasury for the 2010/2011 unspent allocation.

18.3 Restructuring Grant

Balance unspent at beginning of year	215 969	215 969
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>215 969</u>	<u>215 969</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Restructuring Grant received in 2002,2003, and 2004 from National Treasury has been earmarked for certain projects that will improve the local economy.

18.4 Municipal Systems Improvement Grant

Balance unspent at beginning of year	364 131	606 222
Current year receipts	11 000	662 000
Conditions met - transferred to revenue	(375 131)	(904 091)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>364 131</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation. An amount of R789 000 was withdrawn by National Treasury for the

18.5 Infrastructure Skills Development Grant

Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 778 800)	-
Conditions still to be met - transferred to liabilities	<u>(778 800)</u>	<u>-</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Infrastructure and skills development grant is used to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available, to facilitate lifelong learning and the transfer of knowledge and skills to municipalities.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.6 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	22 800 333	-
Current year receipts	86 617 000	71 404 000
Conditions met - transferred to revenue	(39 283 174)	(42 870 972)
Conditions met - transferred to own revenue (ex migvat)	(5 370 453)	(5 732 695)
Conditions still to be met - transferred to liabilities	<u>64 763 706</u>	<u>22 800 333</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

18.7 Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	-
Conditions met - transferred to revenue	(1 316 688)	-
Conditions still to be met - transferred to liabilities	<u>6 683 312</u>	<u>-</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to be used to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

18.8 Expanded Public Work Programme Integrated Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 003 915)	-
Conditions still to be met - transferred to liabilities	<u>(3 915)</u>	<u>-</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines.

18.9 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	4 842 400	4 804 000
Conditions met - transferred to revenue	(4 842 400)	(4 804 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the grant.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.10 Provincial Local Government Grants		
Balance unspent at beginning of year	5 143 536	4 425 862
Current year receipts	11 263 629	9 472 008
Conditions met - transferred to revenue	(5 151 188)	(8 754 334)
Conditions still to be met - transferred to liabilities	<u>11 255 977</u>	<u>5 143 536</u>

Provincial Local Government grants are used to implement administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan and approved by the Provincial Government.

18.11 Provincial Development Planning Grants

Balance unspent at beginning of year	54 849	54 849
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>54 849</u>	<u>54 849</u>

Provincial Development Planning grants are used to promote integrated planning and development in the Province. The grants are spent in accordance with an approved business plan by the Provincial Government.

18.12 Provincial Housing Grants

Balance unspent at beginning of year	12 080 063	12 429 820
Current year receipts	22 803 555	-
Conditions met - transferred to revenue	(7 543 232)	(912 177)
Interest Received	760 757	562 420
Conditions still to be met - transferred to liabilities	<u>28 101 143</u>	<u>12 080 063</u>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating account. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds were withheld.

18.13 Provincial Library Services Subsidies

Balance unspent at beginning of year	126 688	133 991
Current year receipts	3 403 800	3 246 604
Conditions met - transferred to revenue	(3 314 759)	(3 253 907)
Conditions still to be met - transferred to liabilities	<u>215 729</u>	<u>126 688</u>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.14 Provincial Library Services		
Balance unspent at beginning of year	-	-
Current year receipts	-	135 597
Conditions met - transferred to revenue	-	(135 597)
Conditions still to be met - transferred to liabilities	-	-

Provincial Library Services granted assets to Council.

18.15 Provincial Museum Services Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	134 000	125 000
Conditions met - transferred to revenue	(134 000)	(125 000)
Conditions still to be met - transferred to liabilities	-	-

Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

18.16 Provincial Community Development Workers Programme

Balance unspent at beginning of year	19 038	19 038
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	19 038	19 038

Department of Cooperative Governance and Traditional Affairs allocated funds to Council for the administration of the Community Development Workers Programme. No funds have been withheld.

18.17 Provincial Department of Transport

Balance unspent at beginning of year	16 279	16 279
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	16 279	16 279

Provincial Department of Transport provided for a subsidy for a Pedestrian Safety Project.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.18 Department of Water Affairs (DWAF) Cleanest Town Award		
Balance unspent at beginning of year	-	41 109
Current year receipts	-	-
Conditions met - transferred to revenue	-	(41 109)
Conditions still to be met - transferred to liabilities	-	-
Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.		
18.19 Department of Water Affairs (DWAF) Water Services Program		
Balance unspent at beginning of year	205 307	205 307
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	205 307	205 307
Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with the approved business proposal.		
18.20 Department of Water Affairs (DWAF) Refurbishment Grant		
Balance unspent at beginning of year	70	70
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	70	70
Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.		
18.21 Department of Water Affairs (DWAF) Institutional Support Programme Grant		
Balance unspent at beginning of year	-	82 398
Current year receipts	-	(283 000)
Conditions met - transferred to revenue	-	200 602
Conditions still to be met - transferred to liabilities	-	-
Department of Water Affairs Support Project Grant for Institutional Support and Capacity Building. The grant is spent in accordance with an approved business plan.		
18.22 Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant		
Balance unspent at beginning of year	1 725 893	1 325 834
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	(836 656)	(599 941)
Conditions still to be met - transferred to liabilities	889 237	1 725 893
Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.		

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		

18.23 Department of Water Affairs (DWAF) Accelerated Infrastructure programme

Balance unspent at beginning of year	75 700	-
Current year receipts	-	4 210 000
Conditions met - transferred to revenue	(75 700)	(4 134 300)
Conditions still to be met - transferred to liabilities	-	75 700

Department of Water Affairs Accelerated Infrastructure Programme grant in support of the refurbishment and upgrade at the Esikhaleni Waste Water Treatment plant. The grant is spent in accordance with an approved business plan.

18.24 Department of Water Affairs (DWAF) Regional Bulk Water Projects

Balance unspent at beginning of year	1 500 000	-
Current year receipts	(1 500 000)	1 500 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	1 500 000

Department of Water Affairs Regional Bulk Water projects grant in support of the installation of bulk pipelines to supply areas where there is a lack of water supply.

18.25 uThungulu District Municipality Environmental Health Costs

Balance unspent at beginning of year	-	-
Current year receipts	4 603 259	4 342 698
Conditions met - transferred to revenue	(4 603 259)	(4 342 698)
Conditions still to be met - transferred to liabilities	-	-

The function to provide environmental health services was transferred to the District Municipality. Council is still performing this function on behalf of the District. In terms of a Service Level Agreement the District allocates Council a portion of their Equitable Share allocation.

18.26 uThungulu District Municipality Capacity Building Grant

Balance unspent at beginning of year	125 285	134 652
Current year receipts	-	-
Conditions met - transferred to revenue	(121 772)	(9 367)
Conditions still to be met - transferred to liabilities	3 513	125 285

uThungulu District Council allocates funds for capacity building grants. No funds have been withheld.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.27 uThungulu District Municipality Museum Operating Subsidy		
Balance unspent at beginning of year	11 849	11 849
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>11 849</u>	<u>11 849</u>
uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		
18.28 uThungulu District Municipality - Hosting of Annual SMME fair		
Balance unspent at beginning of year	48 503	43 503
Current year receipts	-	5 000
Conditions met - transferred to revenue	(48 503)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>48 503</u>
uThungulu District Council donated funds for the hosting of the Annual SMME fair by Council in partnership with business stakeholders.		
18.29 uThungulu District Municipality - Zulu Dance Competition		
Balance unspent at beginning of year	-	20 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(20 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
uThungulu District Council donated funds for the Zulu Dance Competition.		
18.30 uThungulu District Municipality - Bus Shelters and Laybys		
Balance unspent at beginning of year	-	-
Current year receipts	207 384	-
Conditions met - transferred to revenue	(97 341)	-
Conditions still to be met - transferred to liabilities	<u>110 043</u>	<u>-</u>
uThungulu District Council donated funds for Bus Shelters and Laybys.		
18.31 Department of Agriculture and Environmental Affairs		
Balance unspent at beginning of year	750 692	1 235 555
Current year receipts	-	-
Conditions met - transferred to revenue	(364 751)	(484 863)
Conditions still to be met - transferred to liabilities	<u>385 941</u>	<u>750 692</u>
Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business plan		

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.32 Department of Minerals and Energy		
Balance unspent at beginning of year	-	1 174 678
Current year receipts	-	(3 950 000)
Conditions met - transferred to revenue	-	2 775 322
Conditions still to be met - transferred to liabilities	-	-

Department of Minerals and Energy provided a grant in support of Electrification Projects. The grants are spent in accordance with an approved business plan.

18.33 Department of Sport and Recreation

Balance unspent at beginning of year	12 666	12 666
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	12 666	12 666

Funds were received from Department of Sport and Recreation for the upgrade of Vulindlela Sport Facility. The grants are spent in accordance with an approved business plan.

19 OTHER INCOME

Building Plans	1 216 309	1 175 896
Extension Fees and Engineering contributions	70 867 967	10 098 444
Connection Fees	2 369 887	2 091 619
MIG Vat Revenue	5 370 426	5 732 695
Reconnection Fees	3 983 391	3 829 998
Licence Drivers	2 022 735	1 851 892
Commissions	5 486 930	-
Skills levy fees	1 755 382	-
Discount received	1 174 958	-
Sundries	18 621 948	6 831 379
Total Other Income	112 869 933	31 611 923

20 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	261 817 933	238 576 663
Employee related costs - Contributions for UIF, pensions and medical aids	77 160 039	65 246 008
Travel, motor car, accommodation, subsistence and other allowances	50 397 588	44 172 431
Housing benefits and allowances	3 672 236	3 755 078
Overtime payments	30 158 237	31 214 678
Leave Payments	12 538 218	9 196 022
Cellphone allowance	1 206 883	1 024 864
Pensioners medical aid contributions	3 008 656	2 519 795
Less: Employee costs capitalised to Property, Plant and Equipment	(2 833 910)	(2 641 024)
Total Employee Related Costs	437 125 880	393 064 515

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	796 140	518 290
Annual Bonus	66 345	39 000
Performance Bonuses	99 315	-
Travel Allowance	216 643	171 412
Contributions to UIF, Medical and Pension Funds	290 387	107 325
Total	1 468 830	836 027

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20 EMPLOYEE RELATED COSTS (continued)

Remuneration of Senior Managers and Managers

	Dep M Manager Infra & Technical Services R	Dep M Manager Community Services R
30 June 2013		
Annual Remuneration	757 160	770 400
Annual Bonus	-	64 200
Performance Bonuses	76 325	25 442
Travel Allowance	264 892	193 104
Contributions to UIF, Medical and Pension Funds	241 058	160 738
Total	1 339 435	1 213 884

	Dep M Manager Technical Services R	Dep M Manager Community Services R
30 June 2012		
Annual Remuneration	707 626	691 382
Annual Bonus	-	18 425
Performance Bonuses	67 814	58 126
Travel Allowance	254 289	137 210
Contributions to UIF, Medical and Pension Funds	158 437	97 485
Total	1 188 166	1 002 628

	Dep M Manager Financial Services CFO R	Dep M Manager Corporate Services R	Dep M Manager City Development R
30 June 2013			
Annual Remuneration	888 078	834 318	693 989
Annual Bonus	74 006	-	-
Performance Bonuses	109 036	87 229	87 229
Travel Allowance	204 600	186 089	410 904
Contributions to UIF, Medical and Pension Funds	45 092	210 036	102 216
Total	1 320 812	1 317 672	1 294 338

	Dep M Manager Financial Services CFO R	Dep M Manager Corporate Services R	D M Manager City Development R
30 June 2012			
Annual Remuneration	811 946	779 736	648 588
Annual Bonus	61 287	-	-
Performance Bonuses	67 814	67 814	48 438
Travel Allowance	204 600	176 927	384 894
Contributions to UIF, Medical and Pension Funds	31 347	163 826	87 586
Total	1 176 994	1 188 303	1 169 506

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20 EMPLOYEE RELATED COSTS (continued)

	Head Financial Services Expenditure R	Head Transport & Roads R	Head Water & Sanitation R
30 June 2013			
Annual Remuneration	488 616	652 886	488 616
Annual Bonus	40 820	-	40 616
Entertainment	1 400	-	1 400
Housing Subsidy	6 000	-	-
Travel Allowance	212 682	233 627	212 682
Contributions to UIF, Medical and Pension Funds	214 879	199 917	116 368
Total	964 397	1 086 430	859 682

30 June 2012			
Annual Remuneration	457 650	611 510	266 962
Annual Bonus	38 137	-	-
Entertainment	1 400	-	817
Housing Subsidy	851	-	-
Travel Allowance	200 483	253 191	117 150
Contributions to UIF, Medical and Pension Funds	181 646	168 516	65 277
Total	880 167	1 033 217	450 206

	Head Human Resource Services R	Head Corporate Services R	Head Electrical Services R
30 June 2013			
Annual Remuneration	57 008	52 562	453 325
Annual Bonus	-	-	-
Entertainment	-	-	1 267
Travel Allowance	6 319	6 436	192 656
Contributions to UIF, Medical and Pension Funds	-	-	114 039
Total	63 327	58 998	761 287

30 June 2012			
Annual Remuneration	305 100	-	572 246
Annual Bonus	38 137	-	-
Entertainment	933	-	-
Travel Allowance	133 384	-	-
Contributions to UIF, Medical and Pension Funds	66 212	-	-
Total	543 766	-	572 246

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20 EMPLOYEE RELATED COSTS (continued)

	Head Community & Public Participation R	Head Health & Public Safety R	Head Parks, Sports & Recreation R
30 June 2013			
Annual Remuneration	-	488 616	488 616
Annual Bonus	-	40 616	40 820
Entertainment	-	1 400	1 400
Housing Subsidy	-	-	-
Travel Allowance	-	212 682	212 689
Contributions to UIF, Medical and Pension Funds	-	215 079	213 714
Total	-	958 393	957 239

30 June 2012			
Annual Remuneration	266 962	457 650	457 650
Annual Bonus	54 124	38 137	38 137
Entertainment	817	1 400	1 400
Travel Allowance	115 530	200 483	200 483
Contributions to UIF, Medical and Pension Funds	162 176	160 084	185 786
Total	599 609	857 754	883 456

	Head Financial Services Revenue R	Head Economic Development R	Head Engineering Services R
30 June 2013			
Annual Remuneration	215 429	204 098	488 616
Annual Bonus	-	16 775	53 457
Entertainment	467	583	1 400
Housing Subsidy	-	-	6 000
Travel Allowance	71 196	88 949	212 682
Contributions to UIF, Medical and Pension Funds	77 474	62 040	229 966
Total	364 566	372 445	992 121

21 REMUNERATION OF COUNCILLORS

	2013 R	2012 R
Mayor	631 565	594 284
Deputy Mayor	509 785	479 635
Speaker	512 061	479 458
Chief Whip	460 616	-
Executive Committee Members	3 836 272	4 048 392
Chairpersons of Section 79 Committees	997 104	-
Councillors	8 564 917	8 794 155
Councillors pension contribution	1 635 516	1 467 361
Total Councillors Remuneration	17 147 836	15 863 285

The Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
22 FINANCE COSTS		
Long-term liabilities	79 985 065	82 480 951
Total Interest on External Borrowings	79 985 065	82 480 951

An amount of R929 247.82 relating to finance costs for 2012/2013 was capitalised to work in progress with 9.59% being the weighted average cost of funds borrowed by the municipality.

23 BULK PURCHASES

Electricity	854 691 471	756 049 083
Water	82 555 439	77 951 473
Total Bulk Purchases	937 246 910	834 000 556

24 GRANTS AND SUBSIDIES PAID

Richards Bay Country Club	350 030	-
Davulution Agriculture Primary	50 000	-
S P C A	105 000	293 800
uMhlathuze Tourism Association	-	241 877
Schools and uThungulu Community Forum	25 000	39 743
Zululand Expo	-	23 400
Sundries	267 664	184 205
Property Rates Relief	705 365	394 000
Dolos Festival	70 000	-
uMhathuze Rangers FC	70 000	-
Mhlaacufest	70 000	-
COSATU KwaZulu-Natal - May day	60 000	-
Ezemvelo KZN WILDLIFE	32 550	-
Youth Summit	223 412	-
World Aids Day	61 486	-
Total Grants and Subsidies	2 090 507	1 177 025

25 CASH GENERATED FROM OPERATIONS

Surplus/(Deficit) for the year	(51 419 972)	(147 281 205)
Adjustment for:		
Depreciation	343 657 602	299 567 639
Amortisation	1 657 881	1 333 078
Post employment benefit expenses	(13 913 145)	28 941 000
Other grants received (excluded as non cash)	-	(142 397)
(Gain)/Loss on disposal of property, plant and equipment	(568 650)	-
Grant in aid (excluded as non cash)	16 189	394 000
Movement in bad debt provision	3 500 000	3 000 000
Investment income	(14 498 748)	(4 012 177)
Interest paid	79 985 065	82 480 951
Operating surplus before working capital changes:	348 416 222	264 280 889
(Increase)/ Decrease in inventories	(1 887 641)	15 838 589
(Increase) in debtors	(57 212 682)	(60 896 385)
Decrease/ (Increase) in other debtors	(4 182 788)	(6 563 110)
(Decrease)/ Increase/ in unspent conditional grants and receipts	66 287 038	23 045 822
(Decrease)/ Increase in creditors	15 611 967	38 933 085
(Increase)/ Decrease in VAT claimable	(8 297 070)	(3 156 879)
Increase in consumer deposits	859 822	2 360 197
Cash generated from operations	359 594 868	273 842 208

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26 ELECTRICITY AND WATER LOSSES		
Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:		
Total Produced & Purchased (KL)	43 774 028	40 594 032
Total Sold (KL)	29 428 624	27 109 525
Water Loss in KL	14 345 404	13 484 507
% Loss	32.77%	33.22%
Variable Cost/Kl	R 1.42	R 1.19
	20 370 474	16 046 563

Water losses are attributable to the following reasons:

Non-technical reasons

Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube; however individual households are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons

Aged reticulation without sufficient replacement, refurbishment and maintenance.
Incorrectly calibrated meters.

Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:

Total Purchased (KW)	1 434 018 166	1 545 187 297
Total Sold (KW)	1 289 135 067	1 287 817 498
Electricity Loss in KW	144 883 099	257 369 799
% Loss	10.10%	16.66%
Unit cost /KW	R 0.59	R 0.48
	85 481 028	123 537 504

Electricity losses are attributable to the following reasons:

Technical reasons

Electrical resistivity in the network
Ageing of network without sufficient equipment replacement, refurbishment and maintenance
Incorrect meter calibration and monitoring

Non-technical reasons

Theft, unmetered supply and error in metering

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
27 ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
27.1 Contributions to SALGA		
Council subscriptions	3 632 664	1 871 555
Amount paid	<u>(3 632 664)</u>	<u>(1 871 555)</u>
27.2 Audit fees		
Amount paid - current year	<u>3 681 503</u>	<u>2 019 699</u>
27.3 PAYE, SDL and UIF		
Opening balance	4 223 351	4 283 918
Current year payroll deductions	64 705 627	54 708 055
Amount paid - current year	(59 585 906)	(50 484 704)
Amount paid - previous year	<u>(4 223 351)</u>	<u>(4 283 918)</u>
Balance unpaid (included in creditors)	<u>5 119 721</u>	<u>4 223 351</u>

The balance represents June's contribution paid over in July.

27.4 Pension and Medical Aid Deductions		
Opening balance	4 819 134	7 223 986
Current year payroll deductions	109 090 834	90 261 239
Amount paid - current year	(103 590 434)	(85 442 105)
Amount paid - previous year	<u>(4 819 134)</u>	<u>(7 223 986)</u>
Balance unpaid (included in creditors)	<u>5 500 400</u>	<u>4 819 134</u>

The balance represents continued members contributions received in advance.

27.5 Councillor's Arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at **30 June 2013**

	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
None	-	-	-
Total Councillor Arrear Consumer Account	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2012			
None	1 758	1 624	134
Total Councillor Arrear Consumer Account	<u>1 758</u>	<u>1 624</u>	<u>134</u>

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.
The following represents the highest amount outstanding:

	Highest Amount Outstanding	Ageing
30 June 2013		
None	-	-

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
28 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	29 077 646	26 557 237
Approved but not yet contracted for	309 636 354	179 925 863
Total capital commitments	338 714 000	206 483 100
 This expenditure will be financed from:		
Internal Sources	108 898 000	46 567 500
External Loans	136 119 000	58 372 100
Grants	93 697 000	101 543 500
	338 714 000	206 483 100

29 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.

43 500	43 500
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Guarantee by City of uMhlathuze in respect of Postal services.

200 000	200 000
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There is a dispute between Council and WJ Building and Civil Engineering CC regarding a variation incurred in a contract awarded for the Widening of Main Road Empangeni - contract 8/2/1/158. As to whether Council will be absolved of any liability is not known at this stage as such matter is not yet finalised.

Cosmic Gold submitted a claim against Council regarding the cancellation of a property sale agreement. Cosmic Gold is claiming the costs of constructing the tennis court in the property as well as interest and professional fees to the value of R1 694 788.50. The matter is still ongoing.

Zululand Chamber of Business Foundation is claiming a repayment of property rates to the sum of R304 349.56 which was charged by Council in October 2010. They further seek an order to have the decision of Council to increase the rental from R53.50 to R128 000 in July 2012 as well as charging of municipal rates to be declared unlawful. The matter is still ongoing.

Employees Related Obligations

The estimated liability as a result of the SALGBC wage curve agreement for employees signed in the year 2010 amounts to R4 660 132. The estimated amount was based on the grading of the Municipality and the salary scales. The Municipality lodged an appeal with SALGA on the grading of the Municipality however the process was not finalised by the parties at the SALGBC. The merits must still be determined and could result in a lesser or more amount being paid out.

30 POST EMPLOYMENT MEDICAL BENEFITS (Defined benefit obligation)

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, carried out a statutory valuation for the year ended 30 June 2013. There are no planned assets.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.16%	8.60%
Health care cost inflation rate	7.75%	7.10%
Net effective discount rate	1.31%	1.40%
Average retirement age	55	55
Proportion continuing membership at retirement	80.00%	95.00%
Proportion of retiring members who are married	90.00%	90.00%

The amounts recognised in the Statements of Financial Position were determined as follows:

Present Value of the obligation	204 418 855	218 332 000
Liability in the Balance Sheet	204 418 855	218 332 000

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
30 POST EMPLOYMENT MEDICAL BENEFITS (continued)		
Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	218 332 000	189 391 000
Current service cost	18 777 000	14 904 000
Interest cost	16 186 000	16 288 000
Benefits paid	(2 383 000)	(2 251 000)
Actuarial (gain) loss on obligation	(46 493 145)	-
	204 418 855	218 332 000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	18 777 000	14 904 000
Interest cost	16 186 000	16 288 000
Actuarial gain loss recognised during the year	(46 493 145)	-
Benefit paid	(2 383 000)	(2 251 000)
Net amount recognised in the Statement of Financial Performance	(13 913 145)	28 941 000

31 PROVISIONS

	Staff Leave	Staff Bonuses	Total
30 June 2013			
Carrying amount at the beginning of the year	11 100 744	9 982 132	21 082 876
Increase/(decrease) during the year	2 103 332	130 913	2 234 245
Carrying amount at the end of the year	13 204 106	10 113 051	23 317 157
30 June 2012			
Carrying amount at the beginning of the year	9 982 132	8 346 490	18 328 622
Increase/(decrease) during the year	1 118 642	822 805	1 941 447
Carrying amount at the end of the year	11 100 774	9 169 295	20 270 069

Staff leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount payable to staff as at financial year-end, based on the value of statutory and non-statutory leave.

Staff bonuses

Bonuses accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a prorata basis.

32 EVENTS AFTER THE REPORTING DATE

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

33 PRIOR PERIOD ERROR**Restatement of Property, plant and equipment (accumulated depreciation)**

During the year the municipality discovered that the depreciation on property, plant and equipment assets was overcharged. Council properties were recognised and therefore prior year depreciation was provided. An asset that was previously accounted for under property, plant and equipment was transferred to heritage assets and the past depreciation was reversed.

The impact of this adjustment is as follows:

Amount as previously stated in the Financial statements	6 615 773 169
Correction of accumulated depreciation	(111 505 193)
Depreciation on council properties recognised	354 712
Accumulated depreciation on council property disposed in prior year	(97 712)
Reversal of depreciation on asset transferred to heritage assets	(1 155 909)
Restated Property, plant and equipment (accumulated depreciation) at 30 June 2012	6 503 369 067

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
33 PRIOR PERIOD ERROR (continued)		
Restatement of Property, plant and equipment (cost)		
During the year, the municipality discovered that some Council properties were not recognised in the accounting records. There was also intangible assets which previously accounted under property, plant and equipment. The impact of this error is as follows:		
Amount as previously stated in the Financial statements	10 851 606 989	
Properties recognised	1 831 000	
Disposal of council property in prior year	(546 000)	
Transfer to heritage assets	(2 242 681)	
Restated Investment Properties (Accumulated depreciation) at 30 June 2012	<u>10 850 649 308</u>	
Restatement of Investment Properties (Accumulated depreciation)		
During the year, the municipality discovered that the depreciation on investment properties was overcharged.		
Amount as previously stated in the Financial statements	9 471 243	
Correction of accumulated depreciation	(729 796)	
Restated Investment Properties (Accumulated depreciation) at 30 June 2012	<u>8 741 447</u>	
Restatement of Intangible assets (Accumulated Amortisation)		
During the year, the municipality discovered that the depreciation on intangible assets was overcharged.		
The impact of this adjustment is as follows:		
Amount as previously stated in the Financial statements	8 974 456	
Correction of accumulated amortisation	1 892 310	
Restated Intangible assets (accumulated depreciation) at 30 June 2012	<u>10 866 766</u>	
Restatement of Inventory Land		
During the year, the municipality discovered inventory land previously not accounted for in the accounting records.		
The impact of this error is as follows:		
Balance as previously stated in the Financial statements	54 755 000	
Inventory land not previously recognised	240 000	
Restated Inventory Land at 30 June 2012	<u>54 995 000</u>	
Restatement of Heritage Assets		
During the year, the municipality recognised heritage assets that were not previously accounted for. There was also an amount that was transferred from property, plant and equipment to heritage assets.		
The impact of this error is as follows:		
Balance as previously stated in the Financial statements	68 702	
Assets recognised	177 211	
Transfer from property, plant and equipment	2 242 681	
Restated Inventory Land at 30 June 2012	<u>2 488 594</u>	
Restatement of Other Receivables		
An amount for proceeds on disposal of council property in the previous financial year was allocated to other receivables. The impact of this correction is as follows:		
Balance as previously stated in the Financial statements	22 276 719	
Proceeds from sale of property allocated to accumulated surplus	446 500	
Restated Other Receivables at 30 June 2012	<u>22 723 219</u>	

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
33 PRIOR PERIOD ERROR (continued)		
Restatement of Accumulated Surplus		
Balance as previously stated in the Financial statements	3 368 453 397	
Heritage assets recognised	177 211	
Properties recognised	1 831 000	
Depreciation on properties recognised	(354 712)	
Reversal of depreciation on heritage assets	1 155 909	
Inventory land not previously recognised	240 000	
Prior year loss on disposal of property	(1 788)	
Correction of accumulated depreciation/amortisation	110 342 679	
Restated Accumulated Surplus Balance at 30 June 2012	<u>3 481 843 696</u>	

34 DEVIATIONS FROM PROCUREMENT PROCESSES

Section 37(2) of Supply Chain Management Policy has been complied with. The total amount of deviations recorded for 2012/2013 financial year is R4 246 647.85

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

There was no unauthorised, irregular, fruitless and wasteful expenditure incurred during the year.

36 GENERAL EXPENSES

Included as part of general expenses are the following:

Uniforms	3 035 793	1 684 379
Bank charges	1 329 647	1 189 739
Community facilitation	4 332 507	2 228 899
External audit fees	3 681 503	2 019 699
Fuel and oil	14 554 794	12 447 969
Insurances	5 175 394	4 711 802
Indigent services rendered	4 785 389	4 183 083
Legal fees	1 588 783	2 375 278
Licences and permits	1 571 994	1 405 198
Membership fees	3 827 982	2 063 563
Postage	1 274 670	1 133 786
Printing and Stationery	3 808 796	2 671 513
Programming material	4 159 428	4 365 331
Publicity	1 650 994	1 132 157
Rent equipment and vehicles	8 082 419	2 870 708
Waste disposal	3 285 861	2 529 023
Skills levy	3 686 647	3 219 604
Telephone	1 789 645	1 586 333
Research fund	1 337 451	621 766
Sport development	1 152 367	1 069 355
Stores and materials	1 120 981	902 526
Subsistence and travelling	1 714 048	1 225 429
Valuation roll	5 142 299	1 268 781
Advertisement	1 618 941	968 735
Small tools	1 197 712	427 837
Bursaries	941 153	658 639
Sundries	9 717 981	8 583 146
Total	<u>95 565 179</u>	<u>69 544 278</u>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
37 OPERATING LEASES		
The Municipality as a lessee		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Buildings		
Within one year	2 400	2 400
In the second to fifth year inclusive	9 600	9 600
After five years	-	-
Total	12 000	12 000
IT equipment		
Within one year	1 063 668	-
In the second to fifth year inclusive	1 772 780	-
After five years	-	-
Total	2 836 448	-
Operating lease payments represent rentals payable by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers and PABX equipment. No contingent rent is payable.		
38 RELATED PARTY TRANSACTIONS		
There were no related party transactions that occurred during the financial year.		
39 CHANGE IN ACCOUNTING ESTIMATE		
A change in the estimated useful lives of certain property, plant and equipment, intangible assets and investment properties that were reaching their estimated useful lives has resulted in the following change in depreciation.		
Depreciation according to initial estimated useful lives	8 280 529	
Depreciation according to re-estimated useful lives	1 697 856	
Reduction in depreciation	<u>6 582 674</u>	
40 CHANGE IN ACCOUNTING POLICY		
The implementation of GRAP 103 resulted in recognition of a heritage asset which was previously accounted for under property, plant and equipment. This resulted in the inter-transfer from property, plant and equipment to heritage assets and also reversal of depreciation previously accounted under property, plant and equipment. The effect of this change is as follows:		
Statement of financial position		
Property, plant and equipment cost previously reported	10 851 606 989	
Transfer to heritage assets	(2 242 681)	
Other prior year correction (see note 32)	1 285 000	
Restated property, plant and equipment cost at 30 June 2012	<u>10 850 649 308</u>	
Property, plant and equipment accumulated depreciation previously reported	6 615 773 169	
Reversal of depreciation on asset transferred to heritage assets	(1 155 909)	
Other prior year corrections (see note 32)	111 248 193	
Restated property, plant and equipment accumulated depreciation at 30 June 2012	<u>6 725 865 453</u>	
Heritage assets previously reported	68 702	
Transfer of asset from property, plant and equipment	2 242 681	
Other prior year corrections (see note 32)	177 211	
Restated heritage assets at 30 June 2012	<u>2 488 594</u>	
Accumulated surplus previously reported	3 368 453 397	
Reversal of depreciation for asset transferred to heritage assets	1 155 909	
Other prior year corrections (see note 32)	112 234 390	
Restated accumulated surplus at 30 June 2012	<u>3 481 843 696</u>	

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41 FINANCIAL RISK MANAGEMENT

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations.

Financial Risk Management

The Municipality has exposure to the following risks from its use of Financial Instruments:

Liquidity risk
Interest rate risk
Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Categories of Financial Instruments

	2013 R	2012 R
Financial Assets		
Investments and Receivables		
Call Investments	40 000 000	80 000 000
Cash and cash equivalents	202 775 493	77 213 733
Long-term receivables	356 704	445 884
Trade receivables	239 462 934	185 750 252
Other receivables	26 493 585	22 723 219
	509 088 716	366 133 088
Liabilities and Creditors		
Long-term liabilities	731 473 690	827 312 561
Trade and other payables	185 067 011	201 872 277
	916 540 701	1 029 184 838

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Carring amount 2013	Fair value 2013
Long -term receivables	356 704	356 704
Call investments	40 000 000	40 000 000
Cash	202 775 493	202 775 493
Trade receivables	239 462 934	239 462 934
Other receivables	26 493 585	26 493 585
	509 088 716	509 088 716
Long-term liabilities	731 473 690	731 473 690
Trade and other payables	185 067 011	185 067 011
	916 540 701	916 540 701

40.1 Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its obligations as they fall due. The Municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due. The Municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses.

The debtors collection rate of the Municipality also ensures that sufficient cash is available to cover working capital. The average collection rate of the Municipality is 99.17%.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41 FINANCIAL RISK MANAGEMENT (cont)

41.1 Liquidity risk (cont)

The following are contractual liabilities of which interest is included in borrowings:

	Up to 1 year R	1 - 5 years R	> 5 years R	Total R
Borrowings	177 420 619	766 253 182	52 855 669	996 529 470
Trade and other payables	185 067 011	-	-	185 067 011
	362 487 630	766 253 182	52 855 669	1 181 596 481

41.2 Interest rate risk

The Municipality's policy is to manage interest rate risk so that fluctuations in variable costs do not have material impact on surplus. All long term debt are at fixed rates.

41.3 Credit risk

Credit risk is the risk of financial loss to the Municipality if customers or counterparties to financial instruments fail to meet their contractual obligations. Credit risk consist mainly of cash deposits, cash equivalents and trade debtors.

Investments

The Municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Councils approved investment policy.

Receivables

Receivables are amounts owing by consumers and are presented net of impairment loss. The Municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The Municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The Municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The Municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June was:

	2013 R	2012 R
Call investments	40 000 000	80 000 000
Cash and cash equivalents	202 775 493	77 213 733
Long-term receivables	356 704	445 884
Trade receivables	239 462 934	185 750 252
Other receivables	26 493 585	22 723 219
	509 088 716	366 133 088

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

42 BUDGET INFORMATION

42.1 Explanation of variances between approved and final budget amounts

The reason for the variance between approved and final budget is mainly due to the adjustments budget approved by Council on 26 February 2013.

42.2 Explanation of variances greater than 10%: final budget and actual amounts

42.2.1 Statement of financial position

Current assets

The cash available were much higher than anticipated due to underspending of capital as well as conditional grants

Current liabilities

The increase in actual amount is due to high amount of unspent conditional grants at year-end.

42.2.2 Statement of financial performance

REVENUE

Rental of facilities equipment

Revenue increased due to delay in sales of some properties hence leaseing continued.

Interest earned - external investments

The variance is the result of increased in funds surplus funds available for investments during the year.

Interest earned - outstanding debtors

The variance is the result of increase in outstanding debtors than anticipated, hence an increase in interest.

Government grant and subsidies

The variance is the result of underspending in grant funded projects and therefore revenue could not be recognised due to conditions not being met.

Other income

The variance is the result of high revenue received on extension fees for engineering contribution during the year.

EXPENDITURE

Debt impairment

The variance is the result of an increase in the allowance for doubtful debts during the year.

Depreciation and amortisation

This material difference can not be a charge against Rates and General as per Municipal Finance Management Act Circular number 58 section 4.3 read together with Directive 7 of GRAP 17. Therefore it can not be a budgeted cost, but instead is a charge against the Statement of Financial Performance which in effect reduces "Surplus" and charged against Revaluation Reserve which is included in Net Asset (Equity).

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

42 BUDGET INFORMATION (Continued)

Bulk Purchases

Although this line item is below the 10% variance trigger for reporting in this note, the amount however is seen material and does warrant an explanation. The variance stems from just one large smelter company whose production is extremely unpredictable due to fluctuations in global steel prices, however this not a significant financial risk to the Municipality due to the very low margins of profit from such consumer.

Conditional grant expenditure

The variance is due to increased spending on operational conditional grants during the year.

Grant and subsidies paid

The variance is due to less grant in aid paid that anticipated at budget stage.

General expenses

The variance is mainly due less expenditure on uniforms, membership fees and transport at year end.

42.2.3 Cash flow statement

The variance is mainly due to increase in revenue from due to engineering contributions and also underspending of capital expenditure which led to increase in cash and cash equivalents.

42.2.4 Capital expenditure

The variance is the result of underspending in capital mainly due to delays in awarding of tenders and also contract award objection processes. The bulk of the projects have been carried forward to the next financial year.

APPENDIX A

CITY OF UMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at	Received during	Redeemed/ written	Balance at
				30/06/2012	the period	off during the period	30/06/2013
				R	R	R	R
LONG-TERM LOANS							
Development Bank of SA	12.00%	10593	2018/03/31	4 424 441	-	540 098	3 884 343
Development Bank of SA	12.00%	10594	2017/03/31	1 904 119	-	297 446	1 606 673
Development Bank of SA	12.00%	10595	2017/03/31	7 149 091	-	1 116 773	6 032 318
Development Bank of SA	12.00%	10596	2017/03/31	1 663 617	-	259 877	1 403 740
Development Bank of SA	14.50%	10597	2018/03/31	5 696 415	-	650 025	5 046 390
Development Bank of SA	12.00%	10600	2017/03/31	3 244 544	-	506 836	2 737 708
Development Bank of SA	12.00%	10601	2017/03/31	1 928 485	-	301 253	1 627 232
Development Bank of SA	12.00%	10602	2017/03/31	487 816	-	76 202	411 614
				26 498 528	-	3 748 510	22 750 018
INCA	13.95%	UMHL	2019/06/30	10 759 207	-	1 106 642	9 652 565
Development Bank of SA	16.16%	11665	2010/12/31	-	-	-	-
Standard Bank	6.46%	357636	2015/03/31	41 372 085	-	10 873 726	30 498 359
Nedbank	5.25%	05/7831	2016/06/30	43 518 286	-	10 045 630	33 472 656
INCA	8.75%		2019/06/28	172 445 554	-	18 780 255	153 665 299
Development Bank of SA	11.70%	103170	2018/12/31	188 371 768	-	20 735 714	167 636 054
Development Bank of SA	6.75%	103494	2019/06/30	26 816 567	-	3 111 749	23 704 818
Development Bank of SA	11.57%	103494	2019/06/30	80 707 200	-	8 024 016	72 683 184
Nedbank	11.26%	05/7831/2	2019/12/31	158 556 948	-	14 458 287	144 098 661
Nedbank	9.59%	7831003878/3	2022/06/17	78 266 418	-	4 954 344	73 312 074
				827 312 561	-	95 838 873	731 473 688
TOTAL EXTERNAL LOANS							

APPENDIX B

CITY OF uMHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation				Accumulated Depreciation										
	Opening Balance R	Transfers	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Prior year error	Write up of Depreciation	Revised Opening balance	Additions R	Transfers	Disposals R	Closing Balance R	Carrying Value R
Land	545 330 950	(7 151 000)	-	-	-	538 179 950	-	-	-	-	-	-	-	-	538 179 950
	545 330 950	(7 151 000)	-	-	-	538 179 950	-	-	-	-	-	-	-	-	538 179 950
Infrastructure															
Electricity	545 893 470	-	6 640 992	8 013 354	-	560 547 816	224 500 543	(36 448 457)	(6 285 298)	181 766 788	25 598 097	-	-	207 364 884	353 182 931
Roads	3 251 412 077	-	4 039 335	5 423 104	-	3 260 874 516	2 060 844 438	3 591 565	(4 767 949)	2 059 668 054	91 306 331	-	-	2 150 974 386	1 109 900 131
Sewerage	1 354 803 721	-	2 045 543	33 697 876	-	1 390 547 141	755 099 185	(13 886 255)	(4 393 157)	736 819 773	40 871 975	-	-	777 691 748	612 855 392
Water	4 320 907 405	-	3 796 281	10 449 349	-	4 335 153 035	3 190 580 577	(20 272 183)	(2 763 093)	3 167 545 301	124 673 101	-	-	3 292 218 402	1 042 934 633
Security Measures	17 023 680	-	598 276	-	-	17 621 956	11 220 908	412 553	(880 906)	10 752 555	4 508 136	-	-	15 260 691	2 361 265
Pedestrian Malls	23 257 790	-	-	221 000	-	23 478 790	17 809 276	535 956	(638 415)	17 706 817	1 346 022	-	-	19 052 839	4 425 951
Airport - Taxiways	360 591	-	-	-	-	360 591	217 112	(2 337)	-	214 775	20 562	-	-	235 338	125 254
	9 513 658 735	-	17 120 428	57 804 683	-	9 588 583 845	6 260 272 039	(66 069 158)	(19 728 818)	6 174 474 064	288 324 225	-	-	6 462 798 288	3 125 785 557
Community Assets															
Beach Development	32 292 287	-	161 117	-	-	32 453 404	10 880 709	(149 311)	-	10 731 398	1 142 784	-	-	11 874 183	20 579 222
Cemeteries	16 816 908	-	-	637 127	-	17 454 035	3 686 546	(1 045 180)	-	2 641 366	583 825	-	-	3 224 991	14 229 043
Clinics	259 212	-	-	-	-	259 212	82 133	(431)	-	81 702	14 004	-	-	95 706	163 506
Community Centres	12 300 404	(21 110)	394 974	1 151 220	-	13 825 489	6 352 393	(36 354)	(49 811)	6 266 229	946 613	(12 853)	-	7 199 989	6 625 499
Fire Stations	2 535 790	-	-	-	-	2 535 790	709 271	(11 777)	-	697 494	88 682	-	-	786 176	1 749 614
Land Main Investments	54 541 111	-	-	-	-	54 541 111	9 800 217	(2 955 532)	(40 568)	6 804 096	1 424 376	-	-	8 228 472	46 312 639
Libraries	9 725 324	-	-	226 882	-	9 952 206	6 152 905	(36 653)	-	6 116 252	447 842	-	-	6 564 094	3 388 112
Museum	2 221 571	(2 221 571)	-	-	-	(0)	1 143 056	2 755	-	1 145 811	-	(1 143 056)	-	2 755	(2 755)
Parks & Gardens	11 124 100	-	-	-	-	11 124 100	10 493 063	(451)	(233 954)	10 258 658	142 647	-	-	10 401 305	722 795
Public Conveniences	8 057 133	-	-	-	-	8 057 133	4 910 861	305 280	(94)	5 216 048	1 038 533	-	-	6 254 581	1 802 552
Recreation Facilities	50 155 155	-	-	1 056 236	-	51 211 391	23 193 607	179 542	(32 272)	23 340 878	3 096 662	-	-	26 437 539	24 773 852
Stadiums	85 791 063	-	-	-	-	85 791 063	6 340 640	-	-	6 340 640	3 551 361	-	-	9 892 001	75 899 062
	285 820 058	(2 242 681)	556 091	3 071 465	-	287 204 933	83 745 402	(3 748 112)	(356 718)	79 640 572	12 477 129	(1 155 909)	-	90 961 792	196 243 141

APPENDIX B (continued)

CITY OF Umhlatuze : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation				Accumulated Depreciation					Transfers	Disposals	Closing Balance	Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Operating Balance	Error	Write up of Depreciation	Revised Opening balance	Additions			
	R	R	R	R	R	R			R	R	R	R	R
Housing	72 613 358	-	-	6 045 656	-	78 659 014	24 285 439	(17 776 320)	-	6 509 119	1 118 145	7 627 264	71 031 750
	72 613 358	-	-	6 045 656	-	78 659 014	24 285 439	(17 776 320)	-	6 509 119	1 118 145	7 627 264	71 031 750
Other Assets													
Bins & Containers	4 888 697	-	-	-	-	4 888 697	3 546 935	(16 479)	3 245 650	623 115	-	3 868 652	1 020 045
Buildings	173 253 350	-	2 420 549	391 616	-	176 065 515	66 116 455	5 717 427	71 239 678	9 131 285	-	80 370 962	95 694 552
Emergency Equipment	305 561	-	877 992	-	-	1 183 439	133 999	40	123 221	78 492	-	201 713	981 726
Furniture & Fittings	9 389 082	-	1 172 302	-	-	10 528 193	7 385 399	(221 318)	6 283 066	1 425 831	-	7 678 391	2 849 802
Land Main Investments	69 169 075	-	-	-	-	69 169 075	50 093 252	-	50 093 252	-	-	50 093 252	19 075 823
Motor Vehicles	108 450 532	-	6 595 805	872 000	(1 247 860)	114 670 477	66 221 951	8 765 300	67 126 710	20 361 699	-	86 364 882	28 305 596
Office Equipment	24 879 187	-	6 273 110	1 000 000	(772 884)	31 379 413	20 395 242	(422 677)	16 276 929	4 323 510	-	19 841 061	11 538 351
Plant And Equipment	44 780 847	272	3 152 862	-	(36 359)	47 897 621	33 660 539	702 209	29 263 883	5 557 755	272	34 785 550	13 112 126
Water/Craft	352 552	-	-	-	-	352 552	173 514	75 318	248 832	103 719	-	352 551	1
	435 468 883	272	20 492 620	2 263 616	(2 090 408)	456 134 982	247 727 286	14 599 821	243 901 222	41 605 406	272	283 557 014	172 578 023
Total	10 853 137 896	(7 150 729)	38 169 139	89 185 419	(2 090 408)	10 948 762 724	6 616 030 167	(72 983 770)	6 504 524 976	343 524 904	(1 155 637)	6 844 944 359	4 103 818 421
Heritage Assets													
Painting & Art Galleries	245 913	2 242 681	-	-	-	2 488 594	-	-	-	-	-	-	2 488 594
Total	245 913	2 242 681	-	-	-	2 488 594	-	-	-	-	-	-	2 488 594

APPENDIX C

CITY OF uMHLATHUZE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/(Deficit) R	2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/(Deficit) R
Executive & Council	268 113	51 002 613	(50 734 500)	227 912	66 703 037	(66 475 125)
Corporate Services	26 651 607	153 560 684	(126 909 077)	19 916 190	166 946 833	(147 030 643)
Budget & Treasury Office	317 957 748	50 116 555	267 841 193	317 161 102	60 856 308	256 304 794
Planning & Development	1 981 226	19 529 903	(17 548 677)	2 439 002	28 148 918	(25 709 916)
Health	9 164 208	25 455 316	(16 291 108)	9 243 777	28 015 986	(18 772 209)
Community & Social Services	6 226 360	64 037 783	(57 811 423)	6 270 166	69 288 891	(63 018 725)
Housing	2 908 541	5 477 006	(2 568 465)	9 042 400	7 613 699	1 428 701
Public Safety	4 970 998	75 833 837	(70 862 839)	12 599 882	87 118 022	(74 518 140)
Sport & Recreation	4 389 931	113 330 515	(108 940 584)	6 025 839	128 491 879	(122 466 040)
Waste Management	61 322 236	78 007 846	(16 685 610)	69 353 066	85 715 460	(16 362 394)
Waste Water Management	131 652 479	153 634 961	(21 982 482)	145 765 860	171 637 301	(25 871 441)
Road Transport	9 491 647	189 460 627	(179 968 980)	11 194 227	224 631 916	(213 437 689)
Water	262 552 924	357 130 583	(94 577 659)	340 215 099	420 795 711	(80 580 612)
Electricity	997 655 968	1 026 099 372	(28 443 404)	1 163 895 102	1 034 275 558	129 619 544
Other	8 850 855	79 932	8 770 923	2 755 260	344 956	2 410 304
Sub Total	1 846 044 841	2 362 757 533	(516 712 692)	2 116 104 884	2 580 584 475	(464 479 591)
Less: Inter- Dep Charges	(132 472 164)	(501 903 651)	369 431 487	(43 339 917)	(456 399 536)	413 059 619
Total	1 713 572 677	1 860 853 882	(147 281 205)	2 072 764 967	2 124 184 939	(51 419 972)

APPENDIX D

CITY OF UMHLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Total 2012/2013 as per AFS	Grants and Subsidies delayed/withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2012	Dec 2012	Mar 2013	June 2013	Total 2012/2013 as per AFS	Sept 2012	Dec 2012	Mar 2013	June 2013	Total 2012/2013 as per AFS	Sept 2012	Dec 2012	Mar 2013	June 2013	Total 2012/2013 as per AFS	
Museum Subsidy	KZN - Dept of Education and Culture	134 000	-	-	-	134 000	232 980	272 630	325 066	530 543	1 217 229	-	-	-	-	-	Yes
Primary Health Subsidy	KZN - Dept of Health	-	1 614 000	-	1 614 400	4 842 400	4 099 551	4 350 090	4 367 879	5 735 150	18 552 670	-	-	-	-	-	Yes
Esilweni Hostel Relinquishment	KZN - Dept of Housing	137 948	136 063	134 515	20 339 073	20 747 588	359 395	1 715 480	2 037 062	2 131 296	6 243 222	-	-	-	-	-	Yes
Housing Operational account	KZN - Dept of Housing	-	-	2 803 566	13 169	2 816 724	-	-	-	1 300 000	1 300 000	-	-	-	-	-	Yes
Public Internet access - Rantes	KZN - Dept of Library Services	619 800	-	-	-	619 800	140 383	132 332	128 631	129 413	530 759	-	-	-	-	-	Yes
Library Subsidy	KZN - Dept of Library Services	-	2 784 000	-	-	2 784 000	2 746 870	2 902 148	2 812 165	4 462 937	12 954 140	-	-	-	-	-	Yes
Corridor Development	Traditional Affairs	-	-	-	-	-	56 350	1 561	850	124 856	193 617	-	-	-	-	-	Yes
Urban Development Framework Plan	Traditional Affairs	-	-	-	-	-	19 931	109 513	180 000	356 885	686 309	-	-	-	-	-	Yes
Extension to Richards Bay Airport	KZN - Dept of Co-Operative Governance and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Tourism Development	Traditional Affairs	-	3 500 000	1 763 029	-	1 763 029	565 838	605 670	644 046	442 367	2 297 921	-	-	-	-	-	Yes
New and Upgrading of Informal Trading Stalls	KZN - Dept of Co-Operative Governance and	-	4 000 000	-	-	4 000 000	-	-	-	128 869	128 869	-	-	-	-	-	Yes
Mobilisation Grant	KZN - Dept of Co-Operative Governance and	-	-	2 000 000	-	2 000 000	-	-	-	27 021	27 021	-	-	-	-	-	Yes
	Traditional Affairs	-	-	-	-	-	-	-	-	1 887 452	1 887 452	-	-	-	-	-	Yes

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

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